CITY OF ATLANTA
City Auditor's Office
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May 2012

Performance Audit:

Tax Allocation Districts

Why We Did This Audit

We undertook this audit because the city's use of tax allocation districts to finance redevelopment has grown to encompass 20% of the city's land area and 15% of total assessed property value.

What We Recommended

To improve oversight and accountability of use of public funds generated by the tax allocation districts, the chief operating officer should:

- Propose for City Council approval modifications to the city's service agreement with Invest Atlanta to require it to develop and report annual evaluations of each tax allocation district to assess progress towards completing specific projects and achieving goals established in the redevelopment plan.
- Develop a policy to review annually surplus increment once the redevelopment plan is substantially completed and establish criteria for using surplus increment.
- Before seeking reallocation of increment to new projects, require Invest Atlanta to prepare for City Council consideration an amendment to the existing redevelopment plan.
- Work with Invest Atlanta to re-evaluate its redevelopment strategies in the corridor districts as appropriate, considering current economic conditions in those districts.

The chief financial officer should:

- Propose for City Council approval revisions to the city's service agreement with Invest Atlanta to:
    - include preparation of financial reports at least annually showing how public funds were used to support tax allocation district redevelopment plans
    - require Invest Atlanta and its affiliates to provide detailed budgets at least annually showing proposed uses of tax allocation district funds by fund

For more information regarding this report, please contact Stephanie Jackson at 404.330.6678 or sjackson@atlantaga.gov

What We Found

Neither the city nor its redevelopment agent, Invest Atlanta, systematically tracks progress toward meeting redevelopment plan goals. The redevelopment plan for each tax allocation district is adopted by ordinance following public hearing. The redevelopment plan establishes the district's geographic boundaries; explains why the area requires public subsidy; outlines the scope of the economic development projects and project costs; estimates the frozen tax base and tax increment amounts; and identifies plans to issue bonds. Without systematic tracking of progress compared to the redevelopment plan, the city lacks a mechanism to tell when a redevelopment plan is substantially complete and no more public subsidy is needed.

Planned redevelopment projects in Atlantic Station, Eastside, Westside, and Princeton Lakes are substantially complete and the city has collected more increment than needed to pay annual debt service. Intergovernmental agreements specific to individual tax allocation districts and individual bond provisions define excess increment differently but generally provide for paying down debt or returning the excess to the taxing jurisdictions. The city has no policy for handling this accumulated surplus increment. In the absence of a policy, the city could spend more than is necessary on soft costs, continue to subsidize development when public support is no longer needed, or let resources sit idle.

Trends in assessed values citywide and in tax allocation districts illustrate that public investment has spurred substantial growth in property value within the districts but also show that districts have captured inflationary growth, thus reducing the city's fiscal capacity to provide services within the districts and citywide. No projects have begun in Hollowell/M.L. King and Stadium Neighborhoods. Invest Atlanta's policy on minimum project size in the corridor districts may be a barrier to small developers.

Redevelopment plans for eight of the city's ten tax allocation districts listed high poverty and unemployment among the reasons for establishing the district. While Invest Atlanta does not track whether the number of jobs created met redevelopment plan goals, 2010 census data shows that socio-economic conditions in tracts containing tax allocation districts improved relative to the rest of the city since 2000. Despite progress, these areas still lagged the city as a whole in measures of poverty and unemployment, and vacancy rates are higher.

While Invest Atlanta has processes in place to control developer costs, it does not subject its own operating costs and those of its affiliate Atlanta BeltLine, Inc., to the same scrutiny and oversight.